

Imbulpe Pradeshiya Sabha
Ratnapura District

1 Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year 2018 had been presented to audit on 27 February 2019 and the summary report and the Detailed Management Audit Report of the Auditor General on the financial statement had been issued to the Chairman on 31 May 2019.

1.2 Qualified Opinion

In my opinion, except for the effects of the matters described in the Basis for Qualified Opinion Section of this report, the financial statements give a true and fair view of the financial position of the Imbulpe Pradeshiya Sabha as at 31 December 2018 and its financial performance for the year then ended in accordance with Generally Accepted Accounting Principles.

1.3 Basis for Qualified Opinion

	Audit Observation	Recommendation	Comments of the Accounting Officer
	-----	-----	-----
(a)	The value of 22 lands belonging to the Sabha included in the Register of Fixed Assets as at the end of the year under review had not been assessed and brought to account.	Action should be taken to assess and account the fixed assets.	Action will be taken to prepare the plans relating to the lands belonging to the Sabha included in the Assets register and to obtain assessment reports from the Department of Valuation.
(b)	According to the stock Register as at the end of the year under review the value of 05 items of stock had been overstated by Rs.75,145 and the value of 19 items of stocks had been understated by Rs. 30,628 in the accounts.	Accounts should be prepared accurately.	It was rectified by the journal entries No.02 and 03 in the year 2019.
(c)	A sum of Rs.1,858,720 incurred for the construction of waste management centre of the Sabha in the year	The construction cost should be capitalized.	It was rectified by the journal entry No.10 in the year 2019.

under review had not been capitalized.

- | | | | |
|-----|---|---|---|
| (d) | Payable amount relating to 03 accounts totalling Rs.16,736 in the year under review had not been brought to account and receivable amount of Rs.989,262 from the Provincial Council had been understated in the accounts. | The receipts and payments should be identified accurately and accounts should be rectified. | It was rectified by the journal entry No.12 in the year 2019. |
| (e) | The advance account had been debited and the accumulated fund had been credited in the year under review to rectify the electricity charges amounting to Rs.119,046 accounted as an advance in the year 2016. | Accounts should be rectified. | It was rectified by the journal entry No.20 in the year 2019. |
| (f) | A sum of Rs.329,363 paid for a construction in the year 2017 was accounted as an advance and the advance account was debited and the accumulated fund was credited to rectify it during the year. | Accounts should be rectified. | It was rectified by the journal entry No.20 in the year 2019. |
| (g) | The capital provisions amounting to Rs.560,300 received for the waste management project in the year 2017 and accounted as deposits had not been brought to account as revenue even by the year under review. | Accounts should be rectified. | It was rectified by the journal entry No.21 in the year 2019. |

- | | | | |
|-----|--|--|--|
| (h) | Staff allowances payable to staff of the courts for preparation of schedules of stamp fees in the year 2016 amounting to Rs.115,900 had not been brought to account. | Accounts should be rectified. | It was rectified by the journal entry No.16 in the year 2019. |
| (i) | A difference Rs.7,671,047 was shown between the individual balances of the Register of miscellaneous deposits and the balances of miscellaneous deposits control account as at the end of the year under review. | Difference should be identified and adjusted accurately. | Action will be taken to settle the deposit amount valued at Rs.110,436 as at 31 December 2018 according to the deposit register. |
| (j) | A difference of Rs.3,427,173 was shown between the unsettled balances of advance register and the balance of advances control account as at the end of the year under review. | Difference should be identified and adjusted accurately. | Action will be taken to settle the unsettled advances in future. |
| (k) | A difference of Rs.3,308,666 was shown between the individual balances in the debtors register and the balances of the debtors control account as at the end of the year under review. | Difference should be identified and adjusted accurately. | The total of the individual list of balances amounted to Rs.5,905,056 and the balance of the debtors control account amounted to Rs.9,213,722 and a difference of Rs.3,308,666 had arised due to not crediting the money received for provisions for debtors to the debtors account. That was rectified by journal entry No.23 in the year 2019. |

1.4 Non-compliances

Non-compliance with Laws, Rules, Regulations and Management Decisions

The instances of non-compliance with laws, rules, regulations and management decisions are given below.

Reference to Laws, Rules, Regulations and Management Decisions -----	Non-compliance -----	Value ----- Rs.	Recommendation -----	Comments of the Accounting Officer -----
(a) Pradeshiya Sabha Act No.15 of 1987.				
(i) Section 24(1)(a) and (b)	Action had not been taken either to Gazette the roads belonging to the Sabha or to obtain the particulars thereon from the year 2003.	-	Action should be taken according to the provisions of the Act.	There were many roads to be Gazetted. As that activity has to be done with a survey plan, further action will be taken thereon.
(ii) Section 126(iv)	Necessary action had not been to impose by-laws in respect of the advertisement hoardings in the authoritative area of the Sabha and to recover fees.	-	Action should be taken in terms of provisions of the Act.	Action is being taken to impose and to approve the by-law for advertisement hoardings.
(iii) Section 134	Action had not been taken even by March 2019 to recover rates and taxes from 06 village areas identified as developed village areas in the year 2015.	-	Action should be taken in terms of the provisions of the Act.	A survey relating to the properties in the respective areas will be carried out in future by obtaining a Google map in the area with the details.
(iv) Section 149	One per cent of tax which to be recovered on the receipts of the hotels, restaurants and lodges registered in the Sri	-	Action should be taken in terms of the provisions of the Act.	Action will be taken to recover in future.

Lanka Tourist Board had not been recovered from 06 such type of institutions for over 17 years.

(b) Financial Regulations of the Democratic Socialist Republic of Sri Lanka.

(i) Financial Regulation 104(1)(5)	Even though, the cab vehicle which met with an accident in the year 2018 had been repaired by incurring Rs.1,950,302 action had not been taken to identify the responsible parties thereon and to recover the losses.	2,150,176	Action should be taken in terms of Financial Regulations.	In terms of Financial Regulations 104(3) the preliminary reports in respect of losses had been sent to the Commissioner of Local Government. Accordingly, the Commissioner of Local Government had appointed a Board of inquiry.
(ii) Financial Regulation 371(5)	One hundred and five sub-imprests issued from the year 2002 to 2018 had not been settled even by March 2019.	4,754,297	Action should be taken in terms of Financial Regulations.	Action will be taken to settle advances unsettled in future.
(iii) Financial Regulation 571	Necessary action had not been taken to settle the lapsed deposits which had not been claimed.	1,300,672	Action should be taken in terms of Financial Regulations.	Action will be taken to dispose the value of the deposits payable as per the deposits register.

- (c) Paragraph 3.1 of the Public Finance Circular No.01/2012 dated 05 January 2012. The contractors of Community Based Organizations had not been selected by a committee of 3 persons consisting of the Chairman of the Sabha and 2 representatives of the Divisional Secretary in respect of 02 contracts. 2,379,220 Action should be taken as per the provisions of the circular. As per the decision of the Saabha action was taken to award works on the capacity certificate obtained from the Divisional Secretary for the works less than 2 million by testing the capacity of the Community Based Organizations approved in the authoritative area.
- (d) Assets Management Circular No.01/2018 dated 19 March 2018. Action had not been taken to dispose the condemned cab vehicle since the year 2008. - Action should be taken as per the provisions of the Circular. Necessary action will be taken after obtaining the Registration Certificate of the respective vehicle.

2. Financial Review

2.1 Financial Results

According to the financial statements presented, the excess of revenue over recurrent expenditure of the Council for the year ended 31 December 2018 amounted to Rs.10,086,825 as compared with the revenue over recurrent expenditure of the preceding year amounting to Rs.9,520,417.

2.2 Revenue Administration

2.2.1 Estimated Revenue, Billed Revenue, Collected Revenue and the Arrears of Revenue

The information relating to the estimated revenue, billed revenue, collected revenue and the arrears of revenue, furnished for the year under review and for the preceding year appears below.

Source of Revenue	Estimated Revenue	2018		Total arrears as at 31 December	2017		Total arrears as at 31 December	
		Billed Revenue	Collected Revenue		Estimated Revenue	Billed Revenue		Collected Revenue
-----	-----	-----	-----	-----	-----	-----	-----	-----
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
(i) Rates and Taxes	5,723,099	7,180,672	5,325,824	1,854,848	5,184,659	4,081,871	6,482,921	3,881,128
(ii) Lease Rent	882,000	1,610,615	1,610,615	-	308,120	312,120	312,120	-
(iii) Licence Fees	655,000	662,500	670,065	-	450,000	450,000	483,396	-
(iv) Other Revenue	16,710,500	3,126,131	1,759,397	1,366,734	1,030,000	819,390	-	1,309,715
Total	23,970,599	12,579,918	9,365,901	3,221,582	6,972,779	5,663,381	7,278,437	5,190,843

2.2.2 Rates and Taxes

Audit Observation	Recommendation	Comments of the Accounting Officer
(a) ----- The rates and taxes collected in the year under review had decreased by Rs.1,157,097 as compared with the preceding year.	----- Action should be taken to recover the revenue of the Sabha properly.	----- Action has been taken at present to recover a sum of Rs.143,740 from the estimated revenue due for the year 2019 for rates and taxes by 30 April 2019.
(b) Necessary action had not been taken to recover a sum of Rs.3,398,759 to be recovered further out of the arrears of rates and taxes of the preceding year.	Action should be taken to recover the revenue of the Sabha properly.	A sum of Rs.28,899 or 19 per cent from the arrears of rates and taxes for the preceding year had been recovered by 30 April 2019 and action is being taken to recover balance money of arrears of rates.
(c) The arrears of water charges remained brought forward from the year 2008 amounting to Rs.802,142 could not be recovered even by April 2019.	Action should be taken to collect the revenue.	The particulars in respect of the arrears which recovery was stopped and the supply disconnected but adding the charges every year and not billed which brought forward for over a period of 10 years had been forwarded to the Sabha meeting in April 2019 and further action is being taken to recovery of the above arrears at present.

2.2.3 Other Revenue

Audit Observation

Necessary action had not been taken even by April 2019 to recover arrears of waste charges of Rs.229,550 remained brought forward for over a period of 03 years as at the end of the year under review.

Recommendation

Action should be taken to collect the revenue.

Comments of the Accounting Officer

A portion of arrears of charges recoverable by 31 December of the year 2018 has been recovered up to now. Action was taken to hold mobile services and to recover arrears and action also taken to suspend of obtaining waste

from the consumers whose having arrears of waste charges.

3. Operating Review

3.1 Performance

The matters revealed in respect of execution of activities that should be executed under Section 3 of the Pradeshiya Sabha Act such as regularize and control over the matters of public health, public utility services and public roads and the comfort, facilities and wellbeing of the people are given below.

(a) By-laws

Audit Observation

Recommendation

Comments of the Accounting Officer

Action had not been taken to impose by laws even by March 2019 in respect of 30 matters for which should be imposed the by-laws under section 126 of the Pradeshiya Sabha Act.

Action should be taken to impose suitable by-laws.

Two by-laws had been prepared and the Sabha approval had been obtained thereon in respect of regularize of approving the buildings plans and to regularize of recovery of advertisement hoarding charges and further actions is being implemented. Action will be taken to prepare other by-laws in future.

(b) Solid Waste Management

Audit Observation

Recommendation

Comments of the Accounting Officer

The activity of production of compost had been a problematic issue as the Solid Waste Management Centre constructed by incurring Rs.10,723,047 under the grants of the Central Environmental Authority was not suitable to

Action should be taken to carry out an accurate feasibility study and plan the project and to refurbish the waste centre as possible to utilize and as suitable

The formation of this waste centre constructed on the financial provisions of the Pilisaru Project was unsuitable to the weather conditions and the production of compost had become a problematic

the prevailing weather conditions. Accordingly, a methodology to separate the waste which could be recycled and the waste could not be recycled and to dispose to the environment harmlessly and a methodology to produce organic fertilizer had not been prepared even by March 2019.

to the weather conditions.

issue. Even though, the first layer had been made in May 2017 with various practical difficulties and it was unsuccessful due to the prevailing highest weather conditions regularly. Required actions is being taken at present to avoid that lapses.

**(c) Sustainable Development Goals
Audit Observation**

Even though, the Sabha had aware the 2030 Agenda in respect of Sustainable Development Goals action had not been taken to identify the Sustainable Development objectives to be achieved and the targets thereon, based data and milestones for targets as well as indicators to measure the progress according to their scope.

Recommendation

Action should be taken to prepare long term plans in respect of Sustainable Development objectives.

**Comments of the
Accounting Officer**

The required actions is being taken to carry out activities according to the Sustainable Development Goals for the year 2030.

3.2 Management Inefficiencies

Audit Observation

As not recovered charges from 70 permanent advertisement hoardings displayed and 06 advertisement boards displayed on a ridge or a wall in the authoritative area of the Pradeshiya Sabha in terms of the Gazette Notification, a revenue of Rs.115,281 had been deprived by the Sabha in the year under review. Simiarly, action had not been taken to identify the advertisement hoardings from which could be recovered charges and to collect revenue.

Recommendation

Action should be taken according to the provisions of the Gazette Notification.

**Comments of the
Accounting Officer**

It was informed to the institutions who had not paid advertisement hoarding charges of the area.

3.3 Human Resources Management

Audit Observation	Recommendation	Comments of the Accounting Officer
----- (a) An officer of the Public Management Service Grade I had been appointed by the Commissioner of Local Government for acting from May 2014 in the post of Secretary which remained vacant.	----- Action should be taken to fill vacancies.	----- The Supra Grade Secretary post of the Public Management Service of Tertiary Service had remained vacant from the year 2008. The appointing authority for above post is Public Service Commission. The Department of Local Government was informed on the above vacancies in each quarter and informed Chief Secretary through the Commissioner.
(b) Action had not been taken to fill vacancies in the posts of Librarian, Technical Officer and in the post of Ayurvedic Dispenser and as such the respective work and the functions could not be executed efficiently and effectively.	Action should be taken to fill vacancies.	The 02 vacancies in the posts of Librarian and Technical Officer and the vacancy in the post of Ayurvedic Dispenser had been informed to the Commissioner of Local Government.

3.4 Operating Inefficiencies

Audit Observation	Recommendation	Comments of the Accounting Officer
----- Due to non-estimation of revenue after an assessment of revenue which could be billed annually, the under-estimation of water bills revenue for previous 3 years amounted to Rs.3,556,862.	----- An evaluation in respect of billed revenue should be done and the water charges revenue should be estimated realistically.	----- Action will be taken to assess the water charges revenue and estimate accurately in future.

3.5 Assets Management

3.5.1 Assets not Recorded

Audit Observation

The Register of Fixed Assets for Property, Plant and Equipment relating to 4 items of accounts valued at Rs.122,802,008 and the detailed schedules had not been maintained in an updated manner.

Recommendation

The required information and reports should be maintained.

Comments of the Accounting Officer

Action will be taken to rectify in future.

3.5.2 Idle and Underutilized Assets

Audit Observation

-
- (a) The Gully bowser belonging to the sabha valued at Rs.3,410,000 had remained idle due to non-availability of the place to dispose the sewage and action had not been taken to obtain 03 machinery and equipment which were handed over for repairs in the year 2014.

Recommendation

Action should be taken to deploy assets in a useful manner.

Comments of the Accounting Officer

Action will be taken to utilize the vibrator roller and the plate compactor machine belonging to the Sabha after being made repairs and action will be taken to hand over the gully bowser to a Local Government Institution to use.

- (b) Ayurveda clinics and the various meetings had been held in the Galagama multipurpose building which constructed by Puraneguma Project and handed over to the Sabha in the year 2016 costing Rs.42,000,000. But it could not be utilized for respective purposes due to non-availability of a kitchen in the building.

The required actions should be taken to utilize the building effectively.

An Ayurveda clinic once in a month and various meetings organized by the Sabha are being held in the Galagama Multipurpose building. The project reports had been made and referred to the Sabaragamuwa Provincial Council to construct a kitchen which essentially required to utilize for a revenue generating project of the tourism industry.

3.6 Procurements

3.6.1 Procurement Plan

Audit Observation

In terms of Guideline 4.2.1(a) of the Chapter 4 of the Government Procurement Guidelines a procurement plan had not been prepared for the year under review but the procurements amounting to Rs.2,196,353 had been made.

Recommendation

Action should be taken to prepare Master Procurement Plan.

Comments of the Accounting Officer

Action will be taken to prepare a Procurement Plan according to the Government Procurement Guidelines.

3.6.2 Contract Administration

Audit Observation

Even though, a portion of 11.55 square meters of the concreted road plate in the Kapokwatta waste management premises had broken and pressed out from the road, action had not been taken to repair it even by March 2019 utilizing retention money of Rs.83,652.

Recommendation

Action should be taken to repair the road utilizing the retention money.

Comments of the Accounting Officer

Action will be taken to repair the portion of the road plate from the 10% of retention money in future.

4. Accountability and Good Governance

4.1 Budgetary Control

Audit Observation

The estimated provision for the recurrent expenditure of the Sabha in the year under review amounted to Rs.40.55 million and the actual expenditure thereon amounted to Rs.51.58 million and as such a sum of Rs.11.03 million had been incurred exceeding the provisions. The estimated provision for capital expenditure amounted to Rs.4.38 million and the actual expenditure amounted to Rs.5.77 million. As such

Recommendation

Action should be taken to pay adequate attention to utilize the budget as an instrument of financial control and the estimates should be prepared to achieve those targets.

Comments of the Accounting Officer

The respective divisions had been informed to obtain the Sabha approval through a Supplementary estimate in an instance of incurring expenditure more than the budgeted estimate.

a sum of Rs.1.38 million had been incurred exceeding the provision.

4.2 Unresolved Audit Paragraphs
Audit Observation

Recommendation

**Comments of the
Accounting Officer**

(a) On the instructions of the Chirman an assessment had been made in the year 2015 in respect of the constructions made in the year 2014 by the lessee in the premises of the “Diya Pahasa Gimanhala” in Belihuloya belonging to the Sabha without the approval of the Sabha and a sum of Rs.289,682 had been paid to the lessee. Even though, the lessee had paid back a sum of Rs.72,000 to the Sabha Fund out of that payment made irregularly, action had not been taken to recover the balance amount of Rs.217,682 even by March 2019.

Should be investigated the constructions and obtained a report and action should be taken accordingly.

The position of the constructions has been examined and the cost was estimated and recovered the recoverable money to the Sabha and balance amount was paid to the lessee. The building is being utilized at present. Therefore, a loss was not caused to the Sabha.

(b) Even though, a sum of Rs.4,561,397 had been incurred for the development of Pambahinna Weekly fair in the years 2015 and 2017 the development activities of the Weekly Fair had not been carried out as suitable to carry out the weekly fair. As such the weekly fair is being held in the road shoulder from Pambahinna junction to Pambahinna Kumbalagam road and as such the traders and the public had faced to a severe difficulty and a risk.

Prompt action should be taken to develop the weekly fair and to utilize.

Under the Strengthening of the Pradeshiya Sabhas Programme in the years 2015 and 2017 out of the provisions given by the Ministry of Local Government a sum of Rs.4,561,397 had been incurred for the works such as landscaping with ridges, constructing lavatory system, constructing first floor of a two storied building and providing water supply. After receiving provisions from Ministry of Local Government for completion of balance work of this land of weekly fair in the year 2018, action will be taken to form the weekly fair which could have been utilized by the traders of the weekly fair.